

but of public securities and Treasury bills, there is no
other means, and no remedy for bringing its
circulation to a normal basis.

The difficulty lay in the fact that the greater
the depreciation of its notes, the greater were
the paper profits of the bank. From 1895 to
1899, its net profits rose from 34,230,922
pesetas to 50,400,459 pesetas. These profits
were attained in the face of low rates of
discount and of interest on loans, which with
the unlimited power of note issue permitted the
encouragement of speculation in the same
manner as prior to the war. Thus, from May 25,
1900, to March 22, 1902, the rate of discount
and advances stood at three and one half per
cent., while the quotations of the Exterior debt
at Paris in February, 1901, were at a figure
which afforded a net return of 5.54 per cent.¹

A resolute effort was made, however, to restore
order to Spanish finances with the service of
Señor Villaverde as Minister of Finance. He and
his successors, by economies and the imposition
of new taxes, succeeded in turning Treasury
deficits into a surplus, from 1899 down. The
sum of these surpluses for the eight years
ending with 1906 attained the considerable
amount of 492,830,832 pesetas (\$90,000,000).
From this surplus reimbursements were made
to the bank on account of advances on
Treasury bills which reduced their amount at
the close of 1907 to 210,037,447 pesetas
(\$40,000,000).^a One of the measures taken to
this end was the collection of customs dues in
gold. The law of February 23, 1902, by which
this requirement was put in force, sought to
avoid an unwarranted increase in tariff charges
by fixing a sliding scale of reduction based upon
rates of foreign exchange. The benefits of the
law in accumulating physical gold were
impaired to some extent by a royal ordinance of
April, 1903, by which, the Bank of Spain was
allowed to furnish gold to importers from
special gold accounts or by the sale of gold for
silver and paper at the current premium.*

¹ Mitjavile, 130.

* Arthur Houghton, in *Revue Française* February
8, 1908, 193.

³ Focquier, in *Questions Monétaires Contemporaines*^
491.